

Message Text

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PAGE 01 SOFIA 01824 270722Z

21

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AMEMBASSY WARSAW

C O N F I D E N T I A L SOFIA 1824

E.O. 11652: GDS

TAGS: ECON, BU

SUBJECT: CRITICISM OF HALF-YEAR ECONOMIC PERFORMANCE

REF: SOFIA 1634 NOTAL

1. SUMMARY: RECENT EDITORIAL IN BULGARIAN ECONOMIC WEEKLY
CONTAINS DATA AND CRITICISM RAISING QUESTIONS ABOUT
PERFORMANCE OF BULGARIAN ECONOMY FOR FIRST SIX MONTHS
1976. END SUMMARY

2. UNSIGNED JULY 21 EDITORIAL IN BULGARIAN WEEKLY
IKONOMICESKI ZHIVOT, CONTAINED (FOR BULGARIA) STRONG
CRITICISM OF SPECIFIC MINISTRIES FOR THEIR PERFORMANCE
DURING FIRST SIX MONTHS OF 1976 IN FULFILLING 7TH FYP
(1976-80) GOALS. WHILE EDITORIAL, LIKE MOST PRESS
COMMENT, PRESENTED BASICALLY UPBEAT PICTURE OF ECONOMIC
PERFORMANCE OF ECONOMY IT NEVERTHELESS IDENTIFIED
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PAGE 02 SOFIA 01824 270722Z

MINISTRIES OF POWER SUPPLY, CHEMICAL INDUSTRY, MACHINE

BUILDING AND METALLURGY, AND LIGHT INDUSTRY AS "RANKING FIRST IN LIST OF THOSE LAGGING BEHIND," AND ADDED THAT AS OF JULY 1976 BULGARIA IS "FAR FROM A TURNING POINT TOWARD A DETERMINED ENHANCEMENT OF THE EFFECTIVENESS OF PUBLIC PRODUCTION."

3. ALTHOUGH MOST DATA PROVIDED PAINTED PICTURE OF CONSIDERABLE ACHIEVEMENT, DISAGGREGATION PROVIDES A DIFFERENT PERSPECTIVE ON ECONOMIC PERFORMANCE. TOTAL JANUARY-JUNE PRODUCTION WAS ONLY 48.3 PERCENT OF PLANNED ANNUAL PRODUCTION. WHILE ECONOMY WILL RECEIVE NEW PRODUCTIVE CAPACITY THAT CAN INCREASE OUTPUT AT FASTER PACE DURING REMAINDER OF YEAR, FACT REMAINS THAT TO MEET ANNUAL OUTPUT GOALS, PRODUCTION FOR JULY-DECEMBER MUST BE 7 PERCENT GREATER THAN IN FIRST SIX MONTHS. IF ECONOMY CONTINUES AT PRESENT PACE, ANNUAL PRODUCTION WOULD BE ABOUT 2 PERCENT BELOW PLANNED LEVELS.

4. SIMILARLY, BREAKING DOWN 100.9 PERCENT FULFILLMENT OF FOREIGN TRADE GOALS SHOWS THAT ONLY 94 PERCENT OF TARGET EXPORTS TO NONCOMMUNIST COUNTRIES WAS ACHIEVED, WHILE EXPORTS TO COMMUNIST COUNTRIES EXCEEDED PLAN BY 2.6 PERCENT. THIS IMPLIES ADVERSE SITUATION FOR HARD CURRENCY EARNINGS. KEY MINISTRIES SUCH AS MACHINE BUILDING AND METALLURGY, ELECTRONICS AND ELECTRICAL ENGINEERING AND LIGHT INDUSTRY, WHICH WERE TO ACCOUNT FOR ALMOST 50 PERCENT OF PLANNED EXPORT VOLUME, DID NOT REACH EXPORT TARGETS.

5. STATISTICS THAT MEASURE RELATIVE EFFICIENCY OF PRODUCTION ALSO REFLECT PROBLEMS IN MANY SECTORS. REALIZED PROFIT IS 2.9 PERCENT BELOW GOAL AND COST PER 100 LEVA OF OUTPUT WAS 1 PERCENT HIGHER THAN PLANNED. IN ALL ECONOMIC MINISTRIES EXCEPT ELECTRONICS AND ELECTRICAL ENGINEERING, AND TRANSPORT, EXCESSIVE MATERIAL EXPENDITURES WERE INCURRED. THE NATIONAL CONSTRUCTION COMPLEX WAS SINGLED OUT FOR SPECIAL CRITICISM FOR EXCESSIVE USE OF RAW MATERIALS.

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PAGE 03 SOFIA 01824 270722Z

6. NUMEROUS ACTIVITIES ARE CRITICIZED FOR RETARDING PLAN FULFILLMENT. WORK STOPPAGES DUE TO LACK OF RAW MATERIALS, LABOR ABSENTEEISM AND MANUFACTURE OF UNSALEABLE PRODUCTS CONTINUE TO BE PROBLEMS. LATTER PROBLEM IS FAIRLY SEVERE SINCE SALES WERE 2.2 PERCENT BELOW PLAN FOR ENTIRE ECONOMY AND WORSE THAN THAT IN SEVERAL INDUSTRIAL AREAS. OTHER SOURCES OF PROBLEMS (DISCUSSED ONLY IN GENERAL TERMS) INCLUDE FAILURE

OR SLOW PROGRESS IN ADAPTING NEW TECHNOLOGIES, POORLY TRAINED CADRES AND POOR MANAGEMENT.

7. EDITORIAL WARNS THAT, WITHOUT SERIOUS EFFORTS TO IMPROVE MANAGEMENT AND BETTER UTILIZE TECHNOLOGY, RECENT CHANGES IN STRUCTURE OF CHEMICAL AND CONSTRUCTION INDUSTRIES WILL NOT BE SUFFICIENT TO BRING ECONOMY TO FULL EFFICIENCY. SIMILAR ARGUMENT IS MADE FOR ACCOMPANYING PRICE CHANGES. CHANGES IN RESOURCE PRICES HAVE CAUSED COMPLAINTS THAT THESE PRICES WERE INCONSISTENT WITH PLANNED BUDGETS.

8. COMMENT: CRITICISM OF MINISTRIES OF POWER SUPPLY AND MACHINE BUILDING CONFIRMS IMPRESSION OF POOR PERFORMANCE GIVEN BY REPLACEMENT OF THESE MINISTERS DURING JUNE NATIONAL ASSEMBLY SESSION. ONE DEPUTY MINISTER IN CHEMICAL INDUSTRY HAS ALSO BEEN REPLACED, BUT AS YET NO CHANGES HAVE OCCURRED IN CONSTRUCTION. LACK OF TOP LEVEL TURNOVER IN THESE INDUSTRIES MAY BE EXPLAINED BY FACT THAT BOTH HAD MAJOR REORGANIZATIONS IN JANUARY AND ARE STILL ADJUSTING TO NEW BUREAUCRATIC STRUCTURE. HOWEVER, CRITICISM IS CLEARLY A WARNING THAT ADJUSTMENT PROBLEMS CANNOT LONG REMAIN JUSTIFICATION FOR POOR PERFORMANCE.
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